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1990

Department of the Treasury
Internal Revenue Service

Instructions for Form 4562

Depreciation and Amortization

(Section references are to the Internal Revenue Code, unless otherwise noted.)

General Instructions

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping . . . . 33 hrs., 43 min.
Learning about the law or the form . . . . 3 hrs., 41 min.
Preparing and sending the form to IRS . . . . 4 hrs., 23 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both IRS and the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

Changes You Should Note

- Cellular telephones placed in service in tax years beginning after 1989 are "listed property" and must be reported in Part V.
- Beginning in 1990, individual and other noncorporate taxpayers (including S corporations) will not be required to complete or attach Form 4562 to their tax returns if their only depreciation deduction is for assets (other than listed property) placed in service before 1990. Instead, these taxpayers will enter their deduction for depreciation directly on the appropriate line of the tax return. See "Who Must File" below.

Purpose of Form

Use Form 4562 to claim your deduction for depreciation and amortization; to make the election to expense certain tangible property (section 179); and to provide information on the business use of automobiles and other listed property.

Who Must File

You must complete and file Form 4562 if you are claiming:

- Depreciation for property placed service during the 1990 tax year;
- A section 179 expense deduction (which may include a carryover from a previous year);
- Depreciation on any listed property (regardless of when it was placed in service); or
- Amortization of costs that begins during the 1990 tax year.

All corporations (other than S corporations) must also file Form 4562 for any depreciation claimed on assets acquired in previous tax years.

You should prepare and submit a separate Form 4562 for each business or activity on your return. If more space is needed, attach additional sheets. However, complete only one Part I in its entirety when computing your allowable section 179 expense deduction.

Definitions

Depreciation.— Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. However, land and goodwill are not depreciable.

Depreciation starts when you first use the property in your business. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business. For additional information, see **Pub. 534,** Depreciation, and **Pub. 917,** Business Use of a Car.

Amortization.—Amortization is similar to the straight line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed period of time. You can amortize such items as the costs of starting a business, reforestation, and pollution control facilities. For additional information, see **Pub. 535,** Business Expenses.

"Listed Property".—For a definition of "listed property" see Part V instructions.

Recordkeeping

Except for Part V, relating to listed property, IRS does not require you to submit detailed information with your return regarding the depreciation of assets placed in service in previous tax years. However, the information needed to compute your depreciation deduction (basis, method, etc.) must be part of your permanent records.

Since Form 4562 does not provide for permanent recordkeeping, Pub. 534 contains a blank worksheet and filled-in examples to assist you in maintaining depreciation records. However, the worksheet is designed only for Federal income tax purposes. You may need to keep additional records for accounting and State income tax purposes.

Specific Instructions

Part I.—Election To Expense Certain Tangible Property (Section 179)

Note: *An estate or trust cannot make this election. If you are married filing separately, see section 179(b)(4) for special limitations.*

You may make an irrevocable election to expense part of the cost of certain tangible personal property used in your trade or business and certain other property described in Pub. 534. To do so, you must have purchased the property (as defined in section 179(d)(2)) and placed it in service during the 1990 tax year, or have a carryover of disallowed deduction from 1989. If you elect this deduction, the amount on which you figure your depreciation or amortization deduction must be reduced by the amount of the section 179 expense.

Note: *The following do not qualify as section 179 property: (1) property used 50% or less in your trade or business; (2) property held for investment (section 212 property); (3) most furnishings included in a rental dwelling (see section 48(a)(3)); and (4) portable air conditioners and space heaters.*

The section 179 expense deduction is subject to two separate limitations, both of which are figured in Part I:

(1) a dollar limitation; and
(2) a taxable income limitation.

In the case of a partnership, these limitations apply to the partnership and each partner. In the case of an S corporation, these limitations apply to the S corporation and each shareholder. In the case of a controlled group, all component members are treated as one taxpayer.

Line 1.—The maximum amount of section 179 deduction you can claim is $10,000. If you are married filing separately, your maximum deduction is $5,000, unless you and your spouse elect otherwise. However, the total deduction for both of you cannot be more than $10,000. If you are married filing separately, cross out the pre-printed "$10,000" on line 1 and enter in the margin "$5,000" (or whatever other amount you elect, not to exceed $10,000 for both spouses).

Line 2.—Enter the cost of all section 179 property placed in service during the tax year. Be sure to include amounts from any listed property from Part V.

Line 5.—If you placed $210,000 or more of section 179 property in service during the 1990 tax year, you cannot elect to expense any property. If line 5 is -0-, skip lines 6 through 11, enter -0- on line 12, and enter the carryover of disallowed deduction from 1989, if any, on line 13.

Line 6.—

Column (a)—Enter a brief description of the property for which you are making the election (e.g., truck, office furniture, etc.).

Column (b)—Enter the cost of the property. If you acquired the property through a trade-in, do not include any undepreciated basis of the assets you traded in. See **Pub. 551,** Basis of Assets, for more information.

Column (c)—Enter the amount that you elect to expense. You do not have to elect to expense the entire cost of the property. Whatever amount is not elected to be expensed can be depreciated. See line 14 and line 15 instructions below.

Line 9.—The tentative deduction represents the amount you may expense in 1990 or carry over to 1991. If this amount is less than the taxable income limitation on line 11, you may expense the entire

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amount. If this amount is more than line 11, you may expense in 1990 only an amount equal to line 11. Any excess may be carried over to 1991.

Line 10.—The carryover of disallowed deduction from 1989 is the amount of section 179 property, if any, elected to be expensed in previous years, but not allowed as a deduction due to the taxable income limitation. If you filed Form 4562 for 1989, enter the amount from line 12 of your 1989 Form 4562. For additional information, see Pub. 534.

Line 11.—The section 179 expense deduction is further limited to the "taxable income" limitation under section 179(b)(3). For an individual, enter the aggregate net income from any active trade or business computed without regard to any section 179 expense deduction or the deduction for one-half of self-employment taxes under section 164(f). For all other entities, enter the taxable income computed without regard to any section 179 expense deduction. In any case, do not enter more than line 5.

Line 12.—The limitations on lines 5 and 11 apply to the taxpayer, and not to each separate business or activity. Therefore, if you have more than one business or activity, you may allocate your allowable section 179 expense deduction among them. To do so, write "Summary" at the top of Part I of the separate Form 4562 you are completing for the aggregate amounts from all businesses or activities. Do not complete the rest of that form. On line 12 of the Form 4562 you prepare for each separate business or activity, enter the amount allocated to the business or activity from the "Summary." No other entry is required in Part I of the separate Form 4562 prepared for each business or activity.

Part II —MACRS Depreciation For Assets Placed In Service ONLY During Your 1990 Tax Year

Note: *The term "Modified Accelerated Cost Recovery System" (MACRS) includes the General Depreciation System and the Alternative Depreciation System. Generally, MACRS is used to depreciate any tangible property placed in service after 1986. However, MACRS does not apply to films, videotapes, and sound recordings. See section 168(f) for other exceptions.*

Depreciation may be an adjustment for alternative minimum tax (AMT) purposes. See the appropriate AMT form that you are required to file.

Lines 14a through h.—General Depreciation System (GDS).—Note: *Use lines 14a through 14h only for assets placed in service during the tax year beginning in 1990 and depreciated under the General Depreciation System, except for automobiles and other listed property (which are reported in Part V).*

Determine which property you acquired and placed in service during the tax year beginning in 1990. Then, sort that property according to its classification (3-year property, 5-year property, etc.) as shown in column (a) of lines 14a through 14h. The classifications for some property are shown below. For property not shown, see **Determining the Classification** below.

- 3-year property includes: (1) a race horse which is more than 2 years old at the time it is placed in service; and (2) any horse (other than a race horse) which is more than 12 years old at the time it is placed in service.
- 5-year property includes: (1) a light general purpose truck; (2) typewriters, calculators, copiers, and duplicating equipment; (3) any semi-conductor manufacturing equipment; (4) any computer or peripheral equipment; (5) any section 1245 property used in connection with research and experimentation; and (6) certain energy property specified in section 168(e)(3)(B)(vi).
- 7-year property includes: (1) office furniture and equipment; (2) railroad track; and (3) any property that does not have a class life and is not otherwise classified.
- 10-year property includes: (1) vessels, barges, tugs, and similar water transportation equipment; (2) any single purpose agricultural or horticultural structure (see section 48(p)); and (3) any tree or vine bearing fruit or nuts.
- 15-year property includes: (1) any municipal wastewater treatment plant; and (2) any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications.
- 20-year property includes any municipal sewers.
- Residential rental property is a building in which 80 percent or more of the total rent is from dwelling units.
- Nonresidential real property is any real property other than residential rental property, or with a class life of less than 27.5 years.
- 50-year property includes any improvements necessary to construct or improve a roadbed or right-of-way for railroad track that qualifies as a railroad grading or tunnel bore under section 168(e)(4). There is no separate line to report 50-year property. Therefore, attach a statement showing the same information as required in columns (a) through (g). Include the deduction in the line 20 "Total" and write "See attachment" in the bottom margin of the form.

Determining the Classification.—If your depreciable property is **not** listed above, determine the classification as follows: First, find the property's class life. The class life of most property can be found in the Table of Class Lives and Recovery Periods in Pub. 534. Next, use the following table to find the classification in column (b) that corresponds to the class life of the property in column (a).

(a) Class life (in years) (See Pub. 534)	(b) Classification
4 or less	3-year property
More than 4 but less than 10	5-year property
10 or more but less than 16	7-year property
16 or more but less than 20	10-year property
20 or more but less than 25	15-year property
25 or more	20-year property

Column (b).—For lines 14g and 14h, enter the month and year the property was placed in service. If property held for personal use is converted to use in a trade or business or for the production of income, treat the property as being placed in service on the date of conversion.

Column (c).—To find the basis for depreciation, multiply the cost or other basis of the property by the percent of business use. From that result, subtract any section 179 expense deduction.

Column (d).—See the "Note" in the line 14, column (f) instructions below, for an election you can make to use the 150% declining balance method (for 3-, 5-, 7-, and 10-year property) of depreciation. If you do not elect to use the 150% method, determine the recovery period from the table below:

In the case of:	The applicable recovery period is:
3-year property	3 yrs.
5-year property	5 yrs.
7-year property	7 yrs.
10-year property	10 yrs.
15-year property	15 yrs.
20-year property	20 yrs.
Residential rental property	27.5 yrs.
Nonresidential real property	31.5 yrs.
Railroad gradings and tunnel bores	50 yrs.

If you elect the 150% declining balance method, you must use the recovery period under the Alternative Depreciation System discussed in the line 15 instructions on page 3. You will not have an adjustment for alternative minimum tax purposes on the property for which you make this election.

Column (e).—The applicable convention determines the portion of the tax year for which depreciation is allowable during a year property is either placed in service or disposed of. There are three types of conventions (discussed below). To select the correct convention, you must know: (1) when you placed the property in service; and (2) the type of property.

Half-year convention (HY).—This convention applies to all property reported on lines 14a through 14f, unless the mid-quarter convention applies. It does not apply to residential rental property, nonresidential real property, and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any tax year as placed in service (or disposed of) on the mid-point of such tax year.

Mid-quarter convention (MQ).—This convention applies instead of the half-year convention if the aggregate bases of property subject to depreciation under section 168 that is placed in service during the last 3 months of your tax year exceeds 40% of the aggregate bases of property subject to depreciation under section 168 that is placed in service during the entire tax year.

The mid-quarter convention treats all property placed in service (or disposed of) during any quarter as placed in service (or disposed of) on the mid-point of such quarter.

In determining whether the mid-quarter convention applies, do not take into account:

- property that is being depreciated under the pre-1987 rules;
- any residential rental property, nonresidential real property, or railroad gradings and tunnel bores; and
- property that is placed in service and disposed of within the same tax year.

Mid-month convention (MM).—This convention applies ONLY to residential rental property, nonresidential real property (lines 14g or 14h), and railroad gradings and

tunnel bores. It treats all property placed in service (or disposed of) during any month as placed in service (or disposed of) on the mid-point of such month.

Enter "HY" for half-year; "MQ" for mid-quarter; or "MM" for mid-month convention.

Column (f).—Applicable depreciation methods are prescribed for each classification of property. For 3-, 5-, 7-, and 10-year property the applicable method is the 200% declining balance method, switching to the straight line method in the first tax year that maximizes the depreciation allowance.

Note: *You may make an irrevocable election to use the 150% declining balance method for one or more classes of property (except for residential rental property, nonresidential real property, any railroad grading or tunnel bore, or any tree or vine bearing fruit or nuts). If you make this election, see "Alternative Depreciation System" below for the recovery period.*

For 15- and 20- year property, and property used in a farming business, the applicable method is the 150% declining balance method, switching to the straight line method in the first tax year that maximizes the depreciation allowance.

For residential rental property, nonresidential real property, any railroad grading or tunnel bore, or any tree or vine bearing fruit or nuts, the only applicable method is the straight line method.

You may also make an irrevocable election to use the straight line method for all property within a classification that is placed in service during the tax year.

Enter "200 DB" for 200% declining balance; "150 DB" for 150% declining balance; or "S/L" for straight line.

Column (g).—To compute the depreciation deduction you may:
(1) Use the optional Tables A through D at the end of these instructions. Multiply the applicable rate from the appropriate table by the property's **unadjusted** basis (column (c))(see Pub. 534 for complete tables); or
(2) Compute the deduction yourself.
To compute the deduction yourself, complete the following steps:

Step 1.—Determine the depreciation rate as follows:

(a) If you are using the 200% or 150% declining balance method in column (f), divide the declining balance rate (use 2.00 for 200 DB or 1.50 for 150 DB) by the number of years in the recovery period in column (d). For example, for property depreciated using the 200 DB method over a recovery period of 5 years, divide 2.00 by 5 for a rate of 40%.

(b) If you are using the straight line method, divide 1.00 by the remaining number of years in the recovery period as of the beginning of the tax year (but not less than one). For example, if there are 6½ years remaining in the recovery period as of the beginning of the year, divide 1.00 by 6.5 for a rate of 15.38%.

Note: *If you are using the 200% or 150% DB method, be sure to switch to the straight line rate in the first year that the straight line rate exceeds the declining balance rate.*

Step 2.—Multiply the percentage rate determined in Step 1 by the property's unrecovered basis (cost or other basis reduced by any section 179 expense deduction and all prior years' depreciation).

Step 3.—For property placed in service or disposed of during the current tax year, multiply the result from Step 2 by the applicable decimal amount from the tables below (based on the convention shown in column (e)).

Half-year (HY) convention	0.5

Mid-quarter (MQ) convention

Placed in service (or disposed of) during the:	Placed in service	Disposed of
1st quarter	0.875	0.125
2nd quarter	0.625	0.375
3rd quarter	0.375	0.625
4th quarter	0.125	0.875

Mid-month (MM) convention

Placed in service (or disposed of) during the:	Placed in service	Disposed of
1st month	0.9583	0.0417
2nd month	0.8750	0.1250
3rd month	0.7917	0.2083
4th month	0.7083	0.2917
5th month	0.6250	0.3750
6th month	0.5417	0.4583
7th month	0.4583	0.5417
8th month	0.3750	0.6250
9th month	0.2917	0.7083
10th month	0.2083	0.7917
11th month	0.1250	0.8750
12th month	0.0417	0.9583

Short Tax Years.—See Pub. 534 for rules on how to compute the depreciation deduction for property placed in service in a short tax year.

Line 15.—Alternative Depreciation System (ADS).— Note: *Lines 15a through 15c should be completed for assets, other than automobiles and other listed property, placed in service ONLY during the tax year beginning in 1990 and depreciated under the Alternative Depreciation System. Depreciation on assets placed in service in prior years is reported on line 16.*

Under ADS, depreciation is computed by using the applicable depreciation method, the applicable recovery period, and the applicable convention. The following types of property **must** be depreciated under ADS:

- any tangible property used predominantly outside the U.S.;
- any tax-exempt use property;
- any tax-exempt bond financed property;
- any imported property covered by an executive order of the President of the United States; and
- any property used predominantly in a farming business and placed in service during any tax year in which you made an election under section 263A(d)(3).

Instead of depreciating property under GDS (line 14), you may make an irrevocable election with respect to any classification of property for any tax year to use ADS. For residential rental and nonresidential real property, you may make this election separately for each property.

Note: *See section 168(g)(3)(B) for a special rule for determining the class life for certain property.*

If the property does not have a class life, use line 15b.

For residential rental and nonresidential real property, use line 15c.

For railroad gradings and tunnel bores, the recovery period is 50 years.

Column (b).—For 40-year property, enter the month and year it was placed in service, or converted to use in a trade or business, or for the production of income.

Column (c).—See the instructions for line 14, column (c).

Column (d).—Under ADS, the recovery period is generally the class life. However, when looking up the recovery period in Pub. 534, be sure to look under the heading "Alternate MACRS."

Column (e).—Under ADS, the applicable conventions are the same as those used under GDS. See the instructions for line 14, column (e).

Column (f).—Under ADS, the only applicable method is the straight line method.

Column (g).—The depreciation deduction is computed in the same manner as under GDS except you must apply the straight line method over the ADS recovery period and use the applicable convention.

Part III.—Other Depreciation

Note: *Do not use Part III for automobiles and other listed property. Instead, report this property in Part V on page 2 of Form 4562.*

Use Part III for:

- ACRS property (pre-'87 rules);
- property placed in service before 1981;
- certain public utility property, which does not meet certain normalization requirements;
- certain property acquired from related persons;
- property acquired in certain nonrecognition transactions; and
- certain sound recordings, movies, and videotapes.

Line 16.—GDS and ADS deduction for assets placed in service in tax years beginning before 1990.—For assets placed in service after 1986, and depreciated under post-'86 rules, enter the GDS and ADS deduction for the current year. To compute the deduction, see the instructions for column (g), line 14.

Line 17.—Property subject to section 168(f)(1) election.—Report property that you elect, under section 168(f)(1), to depreciate by the unit-of-production method or any other method not based on a term of years (other than the retirement-replacement-betterment method).

Attach a separate sheet, showing:
(1) a description of the property and the depreciation method you elect that excludes the property from ACRS or MACRS; and (2) the depreciable basis (cost or other basis reduced, if applicable, by salvage value, investment credit, and the section 179 expense deduction).

Line 18.—ACRS and other depreciation.—Enter the total depreciation attributable to assets, other than automobiles and other listed property, placed in service before 1981 (pre-ACRS), property subject to ACRS, or property that cannot otherwise be depreciated under ACRS. For ACRS property, unless you use an alternate percentage, multiply the

property's unadjusted basis by the applicable percentage as follows:

3-year property—1st year (25%), 2nd year (38%), 3rd year (37%);

5-year property—1st year (15%), 2nd year (22%), 3rd through 5th year (21%);

10-year property—1st year (8%), 2nd year (14%), 3rd year (12%), 4th through 6th year (10%), 7th through 10th year (9%);

15-year public utility property—1st year (5%), 2nd year (10%), 3rd year (9%), 4th year (8%), 5th and 6th year (7%), 7th through 15th year (6%);

15-year, 18-year, and 19-year real property and low-income housing—Use the tables in Pub. 534.

If you elected an alternate percentage for any property listed above, use the straight line method over the recovery period you chose in the prior year. See Pub. 534 for more information and tables.

Note: *Taxpayers placing property in service after 1986 who are covered by transitional rules should figure their depreciation using the rules for assets placed in service before 1987. See sections 203 and 204 of the Tax Reform Act of 1986 as amended by the Technical and Miscellaneous Revenue Act of 1988 for more information.*

Include any amounts attributable to the Class Life Asset Depreciation Range (CLADR) system. If you previously elected the CLADR system, you must continue to use it to depreciate assets left in your vintage accounts. You must continue to meet recordkeeping requirements.

If you elect CLADR for assets that do not qualify for ACRS, attach a statement that specifies the items that still apply to those listed in Regs. section 1.167(a)-11(f)(2).

Prior years' depreciation, plus current year's depreciation, can never exceed the depreciable basis of the property.

The basis and amounts claimed for depreciation should be part of your permanent books and records. **No** attachment is necessary.

Line 20.—A partnership or S corporation does not include any section 179 expense deduction (line 12) on this line. Any section 179 expense deduction is passed through separately to the partners and shareholders on the appropriate line of their Schedules K-1.

Line 22—Section 263A Uniform Capitalization Rules.—If you are subject to the uniform capitalization rules of section 263A, enter the increase in basis from costs that are required to be capitalized. For a detailed discussion of who is subject to these rules, which costs must be capitalized, and allocation of costs among activities, see Temp. Regs. section 1.263A-1T.

Part V.—Automobiles and Other Listed Property

All taxpayers claiming any depreciation for automobiles and other listed property, regardless of the tax year such property was placed in service, must provide the information requested in Part V. However, employees claiming the standard mileage allowance or actual expenses (including depreciation) must use **Form 2106,** Employee Business Expense, instead of

Part V. Listed property includes, but is not limited to:

- **Passenger automobiles weighing 6,000 pounds or less.**
- **Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, etc.**
- **Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).**
- **Cellular telephones (or other similar telecommunications equipment).**
- **Computers or peripheral equipment.**

Listed property does not include: (1) photographic, phonographic, communication, or video equipment used exclusively in a taxpayer's trade or business or regular business establishment; (2) any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment; or (3) an ambulance, hearse, or vehicle used for transporting persons or property for hire.

If any "listed property" placed in service after June 18, 1984, was used more than 50% in a trade or business in the year it was placed in service, and used 50% or less in a later year, part of the depreciation, section 179 expense deduction, and investment credit may have to be recaptured in the later year. Figure the depreciation and section 179 expense deduction to be recaptured on **Form 4797,** Sales of Business Property. Figure the investment credit to be recaptured on **Form 4255,** Recapture of Investment Credit.

Section A.—Depreciation

Lines 23 and 24.—

Column (a).—List on a property-by-property basis all of your listed property in the following order:

(1) Automobiles and other vehicles, and

(2) Other listed property (computers and peripheral equipment, etc.).

In column (a), list the make and model of automobiles, and give a general description of the listed property.

If you have more than five vehicles used 100% in your trade or business, you may group them by tax year. Otherwise, list all vehicles separately.

Column (b).—Enter the date the property was placed in service. If property held for personal use is converted to use in a trade or business or for the production of income, treat the property as placed in service on the date of conversion.

Column (c).—Enter the percentage of business use. For automobiles and other "vehicles," this is determined by dividing the number of miles the vehicle is driven for trade or business purposes during the year (not to include any commuting mileage) by the total number of miles the vehicle is driven for any purpose. Treat vehicles used by employees (who are not more than 5% owners) as being used 100% in the trade or business if the value of personal use is included in the employees' gross income, or the employees reimburse the employer for the personal use.

Employers who report the amount of personal use of the vehicle in the employee's gross income, and withhold the appropriate taxes, should enter "100%" for the percentage of business use. For more information, see Pub. 917. For listed property (such as computers or video equipment), allocate the use based on the most appropriate unit of time the property is actually used. See Temp. Regs. 1.280F-6T.

If you have property that is used solely for personal use that is converted to business use during the tax year, figure the percentage of business use only for the number of months the property is used in your business. Multiply that percentage by the number of months the property is used in your business, and divide the result by 12.

Column (e).— Multiply column (d) by the percentage in column (c). From that result, subtract any section 179 expense deduction and half of any investment credit taken before 1986 (unless you took the reduced credit). For automobiles and other listed property placed in service after 1985 (i.e., "transition property"), reduce the depreciable basis by the entire investment credit.

Column (f).—Enter the recovery period. For property placed in service after 1986 and used more than 50% in your trade or business, use the table in the line 14, column (d) instructions. For property placed in service after 1986 and used 50% or less in your trade or business, you must use the Alternative Depreciation System. Enter 5 years for automobiles and computers placed in service after 1986. If placed in service before 1987, enter 5 years for automobiles and 12 years for computers.

Column (g).—Enter the method of figuring your depreciation deduction. Write "200 DB," "150 DB," or "S/L," for the depreciation method, and "HY," "MM," or "MQ," for half-year, mid-month, or mid-quarter conventions, respectively. For property placed in service before 1987, write "PRE" if you used the prescribed percentages under ACRS. If you elected an alternate percentage, enter "S/L."

Column (h).—Caution: *See "Limitations for automobiles" below before entering an amount in column (h).*

If column (c) shows more than 50% use in a trade or business (line 23), and the property was placed in service after 1986, figure column (h) by following the instructions for line 14, column (g). If placed in service before 1987, multiply column (e) by the applicable percentages given in the line 18 instructions for ACRS property. If the recovery period for the property ended before your tax year beginning in 1990, enter your unrecovered basis, if any, in column (h).

If column (c) shows 50% or less use in a trade or business (line 24), and the property was placed in service after 1986, figure column (h) by dividing column (e) by column (f) and using the same conventions as discussed in the instructions for line 14, column (e). For automobiles placed in service: (1) during your tax year beginning in 1986, multiply column (e) by 20%; (2) during your tax year beginning in 1985, multiply column (e) by 10%; or (3) after June 18, 1984, and before your tax year beginning in 1985, enter your unrecovered basis, if any, in column (h). For computers placed in service after June 18, 1984, and before 1987, multiply column (e) by 8.333%.

For property used 50% or less in a qualified trade or business, no section 179 expense deduction is allowed.

For property placed in service before 1987 that was disposed of during the year, enter zero.

Limitations for automobiles.—The depreciation deduction plus section 179 expense deduction for automobiles is limited for any tax year. The limitation depends on when you placed the property in service. Use Table E on page 5 to determine the limitation. For any automobile you list on line 23 or 24, the total of columns (h) and (i) for that automobile cannot exceed the limit shown in Table E.

Note: *These limitations are further reduced when the business use percentage (column (c)) is less than 100%. For example, if an automobile placed in service in 1990 is used 60% for business, then the first year depreciation plus section 179 expense deduction is limited to 60 percent of $2,660, which is $1,596.*

Column (i).—Enter the amount you choose to expense for property used more than 50% in a qualified business use (subject to the limitations for automobiles noted above). Be sure to include the total cost of such property on line 2, page 1.

Section B.—Information Regarding Use of Vehicles

The information requested in Questions 27 through 33 must be completed for each vehicle identified in Section A.

Employees must provide their employers with the information requested in Questions 27 through 33 for each automobile or vehicle provided for their use.

Employers providing more than five vehicles to their employees, who are not more than 5% owners or related persons, are not required to complete Questions 27 through 33 for such vehicles. Instead, they must obtain this information from their employees, check "Yes" to Question 37, and retain the information received as part of their permanent records.

Section C.—Questions For Employers Who Provide Vehicles For Use By Their Employees

For employers providing vehicles to their employees, a written policy statement regarding the use of such vehicles, if initiated and kept by the employer, will relieve the employee of keeping separate records for substantiation.

There are two types of written policy statements that will satisfy the employer's substantiation requirements under section 274(d).

Line 34.—Prohibits Personal Use (including commuting):

This policy must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in the employer's trade or business;
- When the vehicle is not used in the employer's trade or business, it is kept on the employer's business premises, unless it is temporarily located elsewhere, for example, for maintenance or because of a mechanical failure;

Table A.—General Depreciation System
Method: 200% declining balance switching to straight line
Convention: half-year

	If the recovery period is:			
Year	3 yrs.	5 yrs.	7 yrs.	10 yrs.
1	33.33%	20.00%	14.29%	10.00%
2	44.45%	32.00%	24.49%	18.00%
3	14.81%	19.20%	17.49%	14.40%
4	7.41%	11.52%	12.49%	11.52%
5		11.52%	8.93%	9.22%

Table B.—General and Alternative Depreciation System
Method: 150% declining balance switching to straight line
Convention: half-year

	If the recovery period is:					
Year	5 yrs.	7 yrs.	10 yrs.	12 yrs.	15 yrs.	20 yrs.
1	15.00%	10.71%	7.50%	6.25%	5.00%	3.750%
2	25.50%	19.13%	13.88%	11.72%	9.50%	7.219%
3	17.85%	15.03%	11.79%	10.25%	8.55%	6.677%
4	16.66%	12.25%	10.02%	8.97%	7.70%	6.177%
5	16.66%	12.25%	8.74%	7.85%	6.93%	5.713%

Table C.—General Depreciation System
Method: Straight line
Convention: Mid-month
Recovery period: 27.5 years

	The month in the 1st recovery year the property is placed in service:											
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	3.485	3.182	2.879	2.576	2.273	1.970	1.667	1.364	1.061	0.758	0.455	0.152%
2-8	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636%

Table D.—General Depreciation System
Method: Straight line
Convention: Mid-month
Recovery period: 31.5 years

	The month in the 1st recovery year the property is placed in service:											
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	3.042	2.778	2.513	2.249	1.984	1.720	1.455	1.190	0.926	0.661	0.397	0.132%
2-7	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175%

Table E.—Limitations for automobiles

Year of Deduction	after: but before:	If placed in service— 6/18/84 1/1/85	12/31/84 4/3/85	4/2/85 1/1/87	12/31/86 1/1/89	12/31/88 1/1/91
1st tax year		4,000	4,100	3,200	2,560	2,660
2nd tax year		6,000	6,200	4,800	4,100	4,200
3rd tax year		6,000	6,200	4,800	2,450	2,550
each succeeding tax year		6,000	6,200	4,800	1,475	1,475

- No employee using the vehicle lives at the employer's business premises;
- No employee may use the vehicle for personal purposes, other than *de minimis* personal use (such as a stop for lunch between two business deliveries); and
- Except for *de minimis* use, the employer reasonably believes that no employee uses the vehicle for any personal purpose.

Line 35.—Prohibits Personal Use (except for commuting). This policy is NOT available if the commuting employee is an officer, director, or 1% or more owner.

This policy must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in the employer's trade or business and is used in the employer's trade or business;
- For bona fide noncompensatory business reasons, the employer requires the employee to commute to and/or from work in the vehicle;
- The employer establishes a written policy under which the employee may not use the vehicle for personal purposes, other than commuting or *de minimis* personal use (such as a stop for a personal errand between a business delivery and the employee's home);
- Except for *de minimis* use, the employer reasonably believes that the employee does

not use the vehicle for any personal purpose other than commuting; and

- The employer accounts for the commuting use by including an appropriate amount in the employee's gross income.

For both written policy statements, there must be evidence that would enable the IRS to determine whether use of the vehicle meets the conditions stated above.

Line 38.—An automobile is considered to have qualified demonstration use if the employer maintains a written policy statement that:

- prohibits its use by individuals other than full-time automobile salesmen;
- prohibits its use for personal vacation trips;
- prohibits storage of personal possessions in the automobile; and
- limits the total mileage outside the salesmen's normal working hours.

Part VI.—Amortization

Each year you may elect to deduct part of certain capital costs over a fixed period. If you amortize property, the part you amortize does not qualify for the election to expense certain tangible property or depreciation.

For individuals reporting amortization of bond premium for bonds acquired before October 23, 1986, do not report the deduction here. See the instructions for Schedule A (Form 1040).

For taxpayers (other than corporations) claiming a deduction for amortization of bond premium for bonds acquired after October 22, 1986, but before January 1, 1988, the deduction is treated as interest expense and is subject to the investment interest limitations. Use **Form 4952,** Investment Interest Expense Deduction, to compute the allowable deduction.

For taxable bonds acquired after 1987, the amortization offsets the interest income. See **Pub. 550,** Investment Income and Expenses.

Line 39.—Complete line 39 only for those costs for which the amortization period begins during your tax year beginning in 1990.

Column (a).—Describe the costs you are amortizing. You may amortize —

- Pollution control facilities (section 169, limited by section 291 for corporations).
- Certain bond premiums (section 171).
- Research and experimental expenditures (section 174).
- Qualified forestation and reforestation costs (section 194).
- Business start-up expenditures (section 195).
- Organizational expenditures for a corporation (section 248) or partnership (section 709).
- Optional write off of certain tax preferences over the period specified in section 59(e).

Column (b).—Enter the date the amortization period begins under the applicable Code section.

Column (c).—Enter the total amount you are amortizing. See the applicable Code section for limits on the amortizable amount.

Column (d).—Enter the Code section under which you amortize the costs.

Column (f).—Compute the amortization deduction by: (1) dividing column (c) by the number of years over which the costs are to be amortized; or (2) multiplying column (c) by the percentage in column (e).

Attach any other information the Code and regulations may require to make a valid election. See Pub. 535 for more information.

Line 40.—Enter the amount of amortization attributable to those costs for which the amortization period began before 1990.

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